

## **EXHIBIT**

### **INTRODUCTION**

Respondent Galt Economic Development Task Force (“Respondent Task Force”) was registered as a general purpose committee. Respondent Businesses United for Good Government (“Respondent BUGG”) is registered as a general purpose committee. At all times relevant, Respondent Rex Albright served as the treasurer for both committees.

This matter arose from a complaint. The subsequent investigation by the Enforcement Division revealed that Respondents by and through their common agent, Rex Albright, engaged in a series of disclosure violations of the Political Reform Act (the “Act”)<sup>1</sup> that effectively concealed the original source of contributions used to fund a successful effort to defeat a local initiative measure presented on the November 5, 2002 ballot.

The Enforcement Division served a Report in Support of a Finding of Probable Cause upon Respondents on October 23, 2007, thereby tolling the statute of limitations.

For the purposes of this Stipulation, Respondents’ violations of the Act are stated as follows:

#### **Respondents Galt Economic Development Task Force and Rex Albright** **(Counts 1 – 5)**

**COUNT 1:** Respondents Galt Economic Development Task Force and Rex Albright received a late contribution from Emerald Park Company totaling \$9,500 during the late reporting period, October 20 through November 4, 2002, and failed to file a late contribution report within 24 hours, in violation of Government Code Section 84203.

**COUNT 2:** Respondents Galt Economic Development Task Force and Rex Albright received a late contribution from Elliot Homes Task Force totaling \$3,000 during the late reporting period, October 20 through November 4, 2002, and failed to file a late contribution report within 24 hours, in violation of Government Code Section 84203.

**COUNT 3:** Respondents Galt Economic Development Task Force and Rex Albright received a late contribution from BIA totaling \$2,500 during the late reporting period, October 20 through November 4, 2002, and failed to file a late contribution report within 24 hours, in violation of Government Code Section 84203.

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<sup>1</sup> The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

**COUNT 4:** Respondents Galt Economic Development Task Force and Rex Albright made a late contribution to Respondent Businesses United for Good Government totaling \$2,000 during the late reporting period, October 20 through November 4, 2002, and failed to file a late contribution report within 24 hours, in violation of Government Code Section 84203.

**COUNT 5:** Respondents Galt Economic Development Task Force and Rex Albright made a late contribution to Respondent Businesses United for Good Government totaling \$4,969 during the late reporting period, October 20 through November 4, 2002, and failed to file a late contribution report within 24 hours, in violation of Government Code Section 84203.

**Respondents Businesses United for Good Government and Rex Albright**  
**(Counts 6 – 9)**

**COUNT 6:** Respondents Businesses United for Good Government and Rex Albright received a late contribution from Respondent Galt Economic Development Task Force totaling \$2,000 during the late reporting period, October 20 through November 4, 2002, and failed to file a late contribution report within 24 hours, in violation of Government Code Section 84203.

**COUNT 7:** Respondents Businesses United for Good Government and Rex Albright received a late contribution from Respondent Galt Economic Development Task Force totaling \$4,969 during the late reporting period, October 20 through November 4, 2002, and failed to file a late contribution report within 24 hours, in violation of Government Code Section 84203.

**COUNT 8:** Respondents Businesses United for Good Government and Rex Albright received a late contribution totaling \$1,000 in the form of a loan from the Galt District Chamber of Commerce during the late reporting period, October 20 through November 4, 2002, and failed to file a late contribution report within 24 hours, in violation of Government Code Section 84203.

**COUNT 9:** Respondents Businesses United for Good Government and Rex Albright made a late contribution to Vote for Galt – No on Measure R committee totaling \$5,000 to during the late reporting period, October 20 through November 4, 2002, and failed to file a late contribution report within 24 hours, in violation of Government Code Section 84203.

## **SUMMARY OF THE LAW**

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. The Act, therefore, establishes a campaign reporting system designed to accomplish this purpose of disclosure.

Section 82013, subdivision (a), defines a “committee” to include any person who receives contributions totaling \$1,000 or more in a calendar year. This type of committee is commonly known as a “recipient committee.” Under Section 82027.5, subdivision (a), a recipient committee is a general purpose committee when it is formed or exists primarily to support or oppose more than one candidate or ballot measure. However, despite registering as general purpose committees, Respondents’ campaign reporting activity revealed that, at all relevant times, Respondents were primarily formed ballot measure committees. (Section 82047.5)

### **Statute of Limitations for Administrative Proceedings**

Section 91000.5 provides that an administrative action, pursuant to Chapter 3 of the Act (commencing with Section 83100) alleging a violation of any provision of the Act, shall not be commenced more than five years after the date on which the violation occurred. Subdivision (a) of that section states that the service of a probable cause hearing notice, as required by Section 83115.5, upon the person alleged to have violated the Act, shall constitute the commencement of the administrative action.

### **Duty to File Campaign Statements and Reports**

Under the Act’s campaign reporting system, primarily formed committees are required to file certain specified campaign statements and reports.

#### **Duty to File Late Contribution Reports**

Pursuant to Section 84203, subdivision (a), when a committee makes or receives a late contribution, the committee must disclose the contribution in a late contribution report within 24 hours of making or receiving the contribution. Section 82036 defines a “late contribution” as a contribution which totals in the aggregate one thousand dollars (\$1,000) or more that is made or received before an election, but after the closing date of the last campaign statement that is required to be filed before the election. Under Section 84200.7, for an election held in June or November of an even-numbered year, the late contribution period covers the last 16 days before the election. For the November 5, 2002, General Election, the late contribution period was from October 20 – November 4, 2002.

### **Liability of Committee Treasurers**

Under Section 81004, subdivision (b), if a filer is an entity other than an individual, campaign statements and reports shall be signed and verified by a responsible officer of the entity or by an agent. Additionally, Under Section 81004, subdivision (b), Section 84100, and Regulation 18427, subdivision (a), it is the duty of the committee’s treasurer to ensure that the committee complies with all of the requirements of the Act concerning the receipt and

expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.) A committee's assistant treasurer is also jointly and severally liable for any campaign statements that he or she has signed and verified. (Regulation 18426.1.)

### **SUMMARY OF THE FACTS**

Respondent Task Force registered as a state general purpose committee with the Secretary of State's office on November 5, 2002. At all times relevant, Respondent Rex Albright served as the treasurer for Respondent Task Force.

Respondent Task Force filed one campaign statement for the period of October 21 through December 31, 2002, before terminating on August 1, 2003. This campaign statement, which was filed on February 3, 2003, reported activity in connection with the November 5, 2002, election in the City of Galt. However, the statement was only filed with the Secretary of State's office.

Respondent Task Force reported receiving total contributions of \$16,699. Additionally, Respondent Task Force reported making expenditures in the amount of \$16,699 to Respondent BUGG.

Respondent BUGG has been a registered state general purpose committee since filing with the Secretary of State's office on January 28, 2002. At all times relevant, Respondent Rex Albright served as the treasurer for Respondent BUGG.

Respondent BUGG filed a semi-annual campaign statement on February 3, 2003, for the reporting period of October 21 through December 31, 2002. This statement reported activity regarding the November 5, 2002, election in the City of Galt, but was filed with the County of Sacramento. On this statement, Respondent BUGG reported receiving total contributions of \$14,794, of which \$6,969 were late contributions from Respondent Task Force.

Respondent BUGG, in turn, made a late contribution of \$5,000 to a local ballot measure committee: Vote for Galt – No on Measure R, Sponsored by the Galt Chamber of Commerce ("Vote for Galt"). Vote for Galt used the contributions received from Respondent BUGG to oppose Measure R, the City of Galt's Slow-Growth Initiative. Measure R was ultimately defeated in the November 5, 2002, election. Vote for Galt reported these contributions in its campaign statements.

### **Counts 1 - 5 (Task Force)** (Failure to File Late Contribution Reports)

Under Section 84203, Respondents Task Force and Albright had a duty to file late contribution reports within 24 hours of making or receiving any late contributions. The late contribution reporting period for the November 5, 2002, General Election was October 20 to November 4, 2002.

In its semi-annual campaign statement for the reporting period dated October 21 through December 31, 2002, Respondent Task Force reported receiving four contributions during the late contribution reporting period, three of which met the \$1,000 threshold: Emerald Park Company - \$9,500; Elliot Homes - \$3,000; BIA - \$2,500. Respondents Task Force and Albright were required to file a late contribution report for each of these late contributions within 24 hours of receipt. However, Respondents did not file any late contribution reports for these late contributions. By failing to disclose the late contributions in a late contribution report, Respondents violated Government Code Sections 84203.

Respondent Task Force reported receiving \$16,699 in contributions for the reporting period of October 21 through December 31, 2002. Thus, the late contributions received represent nearly 90% of the total contributions received by Respondent Task Force.

Additionally, Respondents Task Force and Albright also made two contributions to Respondent BUGG during the late contribution period in the amounts of \$2,000 and \$4,969. Respondents Task Force and Albright were required to file a late contribution report for each of these late contributions within 24 hours of making these contributions. However, Respondents did not file the required late contribution reports. By failing to disclose the late contributions in a late contribution report, Respondents violated Government Code Sections 84203.

Respondent Task Force reported making \$16,699 in contributions for the reporting period of October 21 through December 31, 2002. Thus, these late contributions made by Respondents represent nearly 42% of the total expenditures made by Respondent Task Force.

#### **Counts 6 - 9 (BUGG)**

(Failure to File Late Contribution Reports)

Under Section 84203, Respondents BUGG and Albright had a duty to file late contribution reports within 24 hours of making or receiving any late contributions. The late contribution reporting period for the November 5, 2002, General Election was October 20 to November 4, 2002.

In its semi-annual campaign statement for the reporting period dated October 21 through December 31, 2002, Respondent BUGG reported receiving three contributions totaling \$7,969 during the late contribution reporting period as follows: Respondent Task Force - \$2,000; Respondent Task Force - \$4,969; and a loan from Galt District Chamber of Commerce - \$1,000. Respondents BUGG and Albright were required to file a late contribution report for each of these late contributions within 24 hours of receipt. However, Respondents did not file any late contribution reports for these late contributions. By failing to disclose the late contributions in a late contribution report, Respondents violated Government Code Sections 84203.

Respondent BUGG reported receiving \$14,794 in contributions for the reporting period of October 21 through December 31, 2002. Thus, the late contributions received represent 52% of the total contributions received by Respondent BUGG during this period.

Additionally, Respondents BUGG and Albright made a contribution to the Vote for Galt – No on Measure R committee during the late contribution period in the amount of \$5,000. Respondents BUGG and Albright were required to file a late contribution report for this late contribution within 24 hours of making it. However, Respondents did not file a late contribution report for this late contribution. By failing to disclose the late contribution in a late contribution report, Respondents violated Government Code Sections 84203.

## **CONCLUSION**

As to Respondents Task Force and Rex Albright, this matter consists of five counts which carry a maximum possible administrative penalty of Twenty-Five Thousand Dollars (\$25,000). As to Respondents BUGG and Rex Albright this matter consists of four counts, which carry a maximum possible administrative penalty of Twenty Thousand Dollars (\$20,000).

In determining the appropriate penalty for a particular violation of the Act, the Enforcement Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. The facts of this case show a pattern of violations that, taken as a whole, effectively concealed the origin of contributions used to fund a successful effort to defeat a local initiative measure presented on the November 5, 2002 ballot. Thus, the totality of the circumstances warrants imposition of administrative penalties at or near the maximum available penalty (\$5,000) for the majority of Respondents' violations.

### **Respondents Galt Economic Development Task Force and Rex Albright** **(Counts 1 – 5)**

The typical administrative penalty for failing to file a late contribution report in cases that are resolved outside of the Streamlined Late Contribution Enforcement Program has varied depending on the surrounding circumstances. In this case, Respondent Task Force received three contributions of \$1,000 or more, totaling \$15,000, during the 16 days before the election. Respondents failed to report any of these contributions on late contribution reports, which effectively concealed the true source of the funding. Additionally, the amount of these contributions was substantial (90%) in relation to the total amount of contributions received by Respondent Task Force. Consequently, for each of Counts 1, 2, and 3, the maximum administrative penalty of Five Thousand Dollars (\$5,000) is appropriate.

Respondents also made two contributions of \$1,000 or more, totaling \$6,969, during the 16 days before the election. Respondents failed to report these contributions on late contribution reports. The amount of these contributions was large (42%) in relation to the total amount of contributions made by Respondent Task Force. Consequently, for each of Counts 4 and 5, a fine in the amount of Four Thousand Dollars (\$4,000) is appropriate.

Accordingly, the facts of this case justify a total imposition of an administrative penalty of Twenty-Three Thousand Dollars (\$23,000) for Respondents Task Force and Rex Albright.

**Respondents Businesses United for Good Government and Rex Albright**  
**(Counts 6 – 9)**

In this matter, Respondent BUGG received three contributions of \$1,000 or more, totaling \$7,969, during the 16 days before the election. Respondents failed to report any of these contributions on late contribution reports, which effectively concealed the true source of the funding. Additionally, the amount of these contributions was large (52%) in relation to the total amount of contributions received by Respondent Task Force. Consequently, for each of Counts 6, 7, and 8, a fine in the amount of Four Thousand Dollars (\$4,000) is appropriate.

Respondents also made a contribution of \$1,000 or more, totaling \$5,000, during the 16 days before the election. Respondents failed to report this contribution on a late contribution report. Consequently, for Count 9, a fine in the amount of Four Thousand Dollars (\$4,000) is appropriate.

Accordingly, the facts of this case justify a total imposition of an administrative penalty of Sixteen Thousand Dollars (\$16,000) for Respondents BUGG and Rex Albright.